



## Three Keys to Florida's Business Success

Compiled by Seminole County Economic Development



### **Florida's Economic Development Investment Tools:**

Florida and its communities must compete aggressively to attract new business and support expansion of existing enterprise. Investments in economic development create higher paying, living wage jobs, and in turn, build desirable living environments. The importance of investment incentives continues to rise. Incentives offered are usually negotiated after a company has reduced its site search/expansion decision to a "short list." Short list competitors are usually equal, and incentives offered often "tip the scale."

According to Area Development Magazine in its December 2000 survey of business executives, economic development incentives continue to play a critical role in the business site decision-making process, ranking in the top five of all site selection factors. Economic development investments by the State of Florida in FY 00-01 returned \$3.27 in increased state and local tax revenues for every one dollar invested.

### **Florida's 3 Key Investment Tools**

#### **1. The Qualified Target Industry (QTI) Tax Refund Program**

The Qualified Target Industry (QTI) Tax Refund investment encourages quality job growth in targeted, high value-added businesses. The State QTI returns a portion of taxes paid by the business after the company meets its job creation and wage commitments. The community where the project is located partners with the State, nominating the project and paying 20% of the total refund.

The State's investment is the refunding of a portion of the "new" money that results from each business' expanded activity. Qualified businesses receive tax refunds of \$3,000 per each new job created. Additional "per job" bonuses are available for businesses paying 150 or 200 percent or more of the average annual wage, or locating in rural areas, enterprise zones, or Brownfields.

#### **QTI Tax Refund Features**

***Performance-based program-*** The business must first create the jobs and pay the wages before receiving tax refunds

***High Returns to the State-*** The calculated ten year return for QTI is \$12.08 for every state dollar invested

***Creates Jobs-*** Businesses meeting their performance standards and receiving tax returns have actually created 149 percent of the jobs they had agreed to create and paid average wages \$18,000 above the statewide average.

### **The Pay-Off to State and Communities**

Since its inception in July 1995 through FY 2001, the QTI Tax Refund program has played a key role in the location or expansion decisions of 229 quality, competitive economic development projects. These projects are directly creating 54,332 new jobs in Florida, with average annual wages of \$36,914 and total private capital investment of more than \$5.2 billion. In addition, these projects will support another 61,063 permanent full-time jobs in related and supporting businesses.

### **Sample Business Response**

The president of Medtronic Xomed said the company's QTI tax refund agreement for \$600,000 paid off for both the company and the community. The company pledged to add 58 jobs by March 1999, but added 98 instead. The company promised to add 150 jobs by March 2001, but added 170 more than a year ahead of schedule. The company also agreed to add 72,000 square feet of space, but actually expanded by 104,000 square feet. The company pledged to invest \$7 million in its expansion, but spent more than \$10 million, and the QTI Tax Rebate program was a "significant factor" in these decisions, according to the company president.

## **2. The Quick Response Training Program**

The State reimburses a qualified business for a portion of the costs of training new employees who work in an expanded or relocated business.

### **QRT Quick Response Training Program Features**

**Competitive incentive-** Enables Florida to compete with other states that typically have customized training budgets 3 - 4 times that of Florida. Florida is at the lowest ranking southern state in the amount of available customized training dollars.

**Performance based-** The company must first create the new jobs and hire and train the new employee before any training costs are reimbursed

**Aids company's success-** The company gains skilled employees and reports increased profitability from enhanced employee productivity, lower turnover, decreased absenteeism and reduced downtime

**Customer driven-** The program provides reimbursement to the company for customized, industry-specific training, not available at the local level

**Flexible-** Training can be conducted through a variety of educational outlets or on site at the company's facility. Instructors can be professional educators, industry professional or company in-house staff.

**Cost efficient-** Reimbursement of training costs cuts down on company's up-front costs and allows them to expand and grow their operations. In FY 00/01, by leveraging private sector funds with State funds, Florida workers received a total of \$19 in training for every \$1 the State invested.

**Responsive-** Applicants are approved within three to five days

**Specialized-** Average wage requirements are relaxed for grants to businesses located in rural counties/communities, enterprise zones, Brownfield areas and distribution urban areas. In addition, funds are set-aside for businesses creating new jobs in enterprise zones and Brownfield areas.

### **The Pay-Off to State and Communities**

The Legislature appropriated \$6 million for FY 00/01. Grants were awarded to 43 businesses to provide customized training for over 11,292 new high skill/high wage jobs. Sixty-five percent of these projects were for existing/expanding businesses and thirty-five percent for companies new to Florida. The state's \$6 million investment in the program netted a training contribution of more than \$150 million from the private sector.

Since the QRT program was enacted in July of 1993, it has had a key role in the location or expansion decision of 263 quality, competitive economic development projects. These projects have directly created over 62,459 new high skill/high wage jobs.

### **Sample Business Response**

Phoenix International, a leading provider of highly adaptable client/server application software to the financial services industry, recently expanded their operations in Seminole County. The company received a QRT grant for 189,993 to help train the 240 new hires to provide client services and research and development. The company trainers reported that "the training gave the new employees the tools necessary to meet and exceed the goals set by management. The QRT training program represents an important commitment to the State of Florida's business climate by providing funds to enable businesses to secure a qualified workforce."

### **3. The Economic Development Transportation "Road Fund"**

The "Road Fund" program is considered the state's most important business investment. Under the program, a portion of the state's road building money is dedicated to correct transportation problems that inhibit eligible businesses from expanding or locating a facility in Florida.

Up to \$2 million can be requested by a community to construct access roads, turn lanes, runways or taxiways, rail spurs, bridges, or to install traffic signals. Not more than \$5,000 of the funds may be used to create or retain each job, unless the project is located in a distressed area.

#### **Road Fund Features**

***Generates Jobs-*** Road Funds are only provided for those economic development projects that create or retain permanent full-time jobs in the state.

***Improves Local Infrastructure-*** Other businesses and the general community also benefit from the improvements, which stimulate an increase in economic activity.

***Easy to Use-*** Rural and enterprise zone communities can access funds as easily as the state's metropolitan centers.

***It is Quick-*** A final finding decision can be made within 21 days after receipt of a completed application. This represents a significant reduction in time. An average road improvement decision may take up to several years.

**The Pay-Off to State and Communities**

During FY 00/01, \$22.3 million was approved for twenty-three economic development projects. Eight were located in rural communities, and four were located in urban areas. Fourteen of the projects will benefit existing Florida businesses.

The FY 00/01 “Road Fund” projects will generate 6,062 permanent full-time jobs (5,405 new and 657 retained). They will pay a combined average annual wage of \$28,850 (avg. hourly wage of \$13.82). This means the state will invest \$3,679 to create and retain each job. Total return on the state’s \$22.3 million investment for the fiscal year will exceed 460 million dollars in new Florida investments by the participating companies.

**Sample Business Response**

Escambia County received a \$666,951 “Road Fund” award to make transportation improvements to induce GE Power System’s decision to locate in Florida. The company will make a capital investment of \$48 million and will create 201 new jobs, paying an average hourly wage of \$19.83. This facility was later expanded to a total of 350 jobs.